

Message Text

CONFIDENTIAL

PAGE 01 KINSHA 10233 071258Z

53

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 027018

P R 071140Z DEC 76

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC PRIORITY 842

INFO AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUSAKA

AMCONSUL LUBUMBASHI

C O N F I D E N T I A L KINSHASA 10233

EXDIS

E.O. 11652: GDS 12/31/82

TAGS: PFOR, ELTN, EFIN, ZA, AO, US, CG

SUBJECT: BENGUELA RAILROAD

REF: STATE 293176

1. PER REFTEL, FOLLOWING PROVIDES ECONOMIC ANALYSIS OF COSTS OF CLOSURE OF BENGUELA RAILROAD. ZAIRE HAS ADJUSTED TO THE CLOSING OF THE BENGUELA, ALTHOUGH NOT WITHOUT CONSIDERABLE COST. BEFORE ITS CLOSURE, THE BENGUELA CARRIED ABOUT ONE QUARTER TO ONE-THIRD OF ZAIRE'S COPPER EXPORTS. ZAIRE HAS SUCCESSFULLY DIVERTED THIS TRAFFIC TO THE SOUTHERN ROUTE THROUGH RHODESIA. THE QUANTITY OF GECAMINES COPPER DELIVERED TO PORT AND LOADED ON SHIPS IN 1976 WILL PROBABLY FALL SHORT OF THE COMPANY'S ORIGINAL PROJECTIONS, BUT THIS SHORTFALL IS DUE PRINCIPALLY TO THE FACT THAT PRODUCTION ITSELF IS RUNNING 12 PER CENT OFF THE PROJECTED PACE. ADMITTEDLY, THE CLOSURE OF THE BENGUELA HAS CONTRIBUTED TO GECAMINES PRODUCTION PROBLEMS, BUT FOREIGN EXCHANGE SCARCITIES HAVE PROBABLY BEEN A MORE SIGNIFICANT CAUSE OF THE PRODUCTION SHORTFALLS.

2. EXPORTS OF PRODUCTS SUCH AS MANGANESE, TIN AND ZINC HAVE MORE CLEARLY BEEN HURT BY THE CLOSURE OF THE BENGUELS, BUT THESE PRODUCTS ARE MUCH LESS IMPORTANT THAN COPPER IN TERMS OF OVERALL FOREIGN EXCHANGE EARNINGS. WE WOULD ESTIMATE THAT AT A

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KINSHA 10233 071258Z

MAXIMUM THE CLOSURE OF THE BENGUELA WAS DIRECTLY RESPONSIBLE FOR

A LITTLE OVER \$40 MILLION IN LOST FOREIGN EXCHANGE REVENUES: COPPER VALUED AT ABOUT \$20 MILLION, MANGANESE VALUED AT ABOUT \$10 MILLION, CASSITERITE VALUED AT ABOUT \$5 MILLION, AND ZINC VALUED AT ABOUT \$6 MILLION.

3. IN ADDITION TO REDUCED EXPORT EARNINGS, ZAIRE HAS SUFFERED SOME FOREIGN EXCHANGE LOSS FROM THE INCREASED TRANSPORT COSTS OF COPPER SHIPPED VIA THE SOUTHERN ROUTE AND FROM LOSS OF REVENUE FROM THE ZAMBIAN COPPER SHIPMENTS THAT USED TO TRANSIT ZAIRE ENROUTE TO LOBITO. WE DO NOT HAVE HARD ESTIMATES ON THE MAGNITUDES INVOLVED. OUR IMPRESSION IS THAT THEY ARE NOT A MAJOR FACTOR IN THE BALANCE OF PAYMENTS THOUGH THEY MAY BE A SIGNIFICANT LOSS FOR SOME OF THE COMPANIES INVOLVED. IN ANY CASE, IT IS DOUBTFUL THAT THE OPENING OF THE BENGUELA WOULD IMMEDIATELY ALTER THESE FOREIGN EXCHANGE LOSSES SINCE NEITHER ZAMBIA NOR ZAIRE WOULD BE LIKELY TO DIVERT SIGNIFICANT QUANTITIES OF COPPER BACK TO THE BENGUELA RAILROAD IN THE NEAR FUTURE.

4. BEFORE ITS CLOSURE THE BENGUELA WAS THE MOST IMPORTANT SUPPLY ROUTE FOR SHABA. NEW FUEL SUPPLIES HAVE BEEN DEVELOPED USING ZAMBIAN PRODUCTS REFINED FROM CRUDE OIL SUPPLIED BY PIPELINE FROM TANZANIA. COAL AND CORN FOR GECAMINES CONTINUE TO BE SUPPLIED BY THE SOUTHERN ROUTE AS THEY WERE BEFORE THE CLOSURE OF THE BENGUELA. SPARE PARTS AND NEW EQUIPMENT FOR GECAMINES HAVE COME IN VIA THE SOUTHERN ROUTE, THE VOIE NATIONAL AND, IN SOME CASES, AIR TRANSPORT. AS DIFFICULT AS THE TRANSPORT PROBLEMS HAVE BEEN, LACK OF FOREIGN EXCHANGE HAS BEEN THE BIGGEST OBSTACLE PREVENTING A FULLER FLOW OF SUPPLIES INTO SHABA.

5. INCREASED DEPENDENCE ON THE SOUTHERN ROUTE -- AND THE CONSEQUENT REDUCTION IN ECONOMIC SECURITY -- IS THE MOST SIGNIFICANT COST TO ZAIRE OF THE CLOSURE OF THE BENGUELA RAILROAD. THIS COST IS DIFFICULT TO MEASURE IN DOLLARS AND CENTS. IF THE SOUTHERN ROUTE WERE NOW BLOCKED AND THE BENGUELA REMAINED CLOSED, SHABA WOULD BE STRANGLING. SO LONG AS THE SOUTHERN ROUTE REMAINS VIABLE, THE ECONOMIC COSTS OF THE CLOSURE ARE SERIOUS BUT NOT CATASTROPHIC. THROUGH SUBSIDIES TO THOSE COMPANIES MOST SERIOUSLY AFFECTED BY THE CLOSURE, THE GOZ IS BEARING DIRECTLY A SHARE OF THESE COSTS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KINSHA 10233 071258Z

6. IF THE BENGUELA WERE TO OPEN TO INTERNATIONAL TRAFFIC, ZAIRE WOULD PROBABLY BEGIN BY SHIPPING HIGH VOLUME, LOW VALUE MANGANESE ORE TO TEST ANGOLA'S TECHNICAL CAPACITY TO RUN THE LINE AND THE PORT AND TO PROTECT THE LINE AGAINST GUERRILLA ATTACKS (CAPACITIES IN WHICH THE ZAIRIAN HAVE NO REAL CONFIDENCE). WE DOUBT THAT ZAIRE WOULD SEND SIGNIFICANT QUANTITIES OF COPPER VIA THE BENGUELA SO LONG AS THE SOUTHERN

ROUTE REMAINED VIABLE. THE TANGIBLE BENEFITS OF THE OPENING OF THE RAILROAD WOULD BE QUITE MODEST IN THE SHORT TERM AND WOULD HAVE NO SIGNIFICANT IMPACT ON THE NEED FOR U.S. ASSISTANCE FOR ZAIRE. EVEN WITH THE LONDON AGREEMENT, IMF CREDITS, THE EXTENSION OF THE PARIS ACCORD AND ESTIMATED FOREIGN AID, ZAIRE WILL STILL HAVE A SUBSTANTIAL FINANCIAL GAP TO BRIDGE IN 1977.
CUTLER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COPPER, MINING, RAILROADS, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 DEC 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KINSHA10233
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760451-0807
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761267/aaaacfpo.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 76 STATE 293176
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2004 by BoyleJA>; APPROVED <16 AUG 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BENGUELA RAILROAD
TAGS: PFOR, ELTN, EFIN, ZA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006